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Commitment and Cooperation in Partnerships

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ABSTRACT

This thesis uses experimental methods to investigate whether pledges of commitment can improve cooperation in partnerships facing a social dilemma. In the game studied, subjects form partnerships endogenously and choose contribution levels to a partnership account. The treatments vary in terms of the individual's (a) opportunity to commit to their partner, (b) the cost of dissolving committed partnerships, and (c) the distribution of these dissolution costs between partners. I find that pledges of commitment can increase cooperation levels within partnerships. Cooperation increases when committed partnerships can be dissolved without cost due to an increase in partnership stability; stable partnerships are more cooperative. I also find pledges of commitment improve cooperation when it is costly to dissolve a committed partnership. Dissolution costs are most effective when they are shared between committed partners because both partners respond to the threat of costly dissolution. Surprisingly, the increase in average cooperation when committed partnerships can be dissolved without cost is of similar magnitude to the increase when dissolution costs are equally shared between committed partners.

■JEL Classification Codes: C92, D03, D83, H41

■Keywords: Commitment, Cooperation, Endogenous Group Formation, Experiment

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DECLARATION

I, Lachlan Kelley Deer certify that this work contains no material which has been accepted for the award of any other degree or diploma at any university or tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

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